

BUILDING ON A FOUNDATION OF SUCCESS: A FRAMEWORK FOR FOOD STAMP REAUTHORIZATION

For over 30 years, the Food Stamp Program has served as the foundation of America's national nutrition safety net, the first line of the nation's defense against hunger, and a powerful tool to improve nutrition among low-income people.

The Food Stamp Program stands as a reflection of a national commitment to end hunger in America. Yet food insecurity and hunger remain a reality for many: nearly 8 million people – over a third of them children – lived in households that experienced hunger in 1999 (Andrews et al

It has long been an article of faith among the American people that no one in a land so blessed with plenty should go hungry.

President's Task Force on Food Assistance
January 1984

2000). As the time for reauthorization of the Food Stamp Program approaches, it is useful – in fact, it is critical – to take stock of its accomplishments, identify those features essential to its success, and build on that success.

In this spirit, USDA extended an open invitation to the National Food Stamp Conversation 2000, a broad-based dialogue about the future of the Food Stamp Program. A series of public forums in seven cities across the country brought hundreds of people together face-to-face with senior USDA officials. Many more commented by e-mail, fax, and letter. We heard from program participants, front-line caseworkers, State and local government representatives, elected officials, anti-hunger advocates, emergency food providers, health and nutrition specialists, food retailers, law enforcement officials, researchers, and concerned citizens.¹

An important message emerged: the Food Stamp Program works, but we can do better.

THE FOOD STAMP PROGRAM WORKS!

Any discussion of food stamp reauthorization must start with recognition of its success in reducing hunger and improving nutrition in America. There is strong evidence that the Food Stamp Program does work.

- **It touches the lives of millions of people who need a helping hand to put food on the table.** Unlike most other assistance programs, the Food Stamp Program is available to nearly anyone with little income and few resources. Program rules do not limit benefits to families with children or the elderly or the unemployed, for example. Nationwide standards for eligibility and benefits create a national nutrition safety net for low-income families and individuals wherever they live.

¹ Visit www.fns.usda.gov/fns/ to view a summary of the National Food Stamp Conversation 2000, transcripts of all seven forums, and a background summary of past research on program operations and outcomes.

- **It raises food expenditures and improves nutrient availability.** Participants in the Food Stamp Program spend more on food than they would in the absence of the program. Providing benefits that can be spent only on food raises food expenditures more than an equal amount of cash (Fraker 1990; Rossi 1998). In addition, dietary quality among low-income families and individuals has improved markedly. In the mid-1990's, the nutrient intake of low-income people differed little from higher income people – a sharp contrast from 40 years ago (Food and Nutrition Service 1999).²
- **It responds to changing economic conditions.** The Program automatically expands to meet increased need when the economy is in recession and contracts when the economy is growing, making sure that food gets to people who need it. Because welfare reform retained the Food Stamp Program as an entitlement, benefits automatically flow into communities, States, or regions of the country that face rising unemployment or poverty. As the economy grows stronger, participation declines.
- **It delivers billions of dollars in benefits with high integrity.** The Program effectively delivers benefits only to households that need them: in 1998, only 2 percent of all participating households were not entitled to any benefit. Over the last decade, about 92 cents of every food stamp dollar was issued correctly; another 2 or 3 cents should have been issued to eligible households but was not. And the extent of trafficking food stamps for cash is relatively low, less than 4 cents of every dollar issued (Food and Nutrition Service 2000, Macaluso 1999).

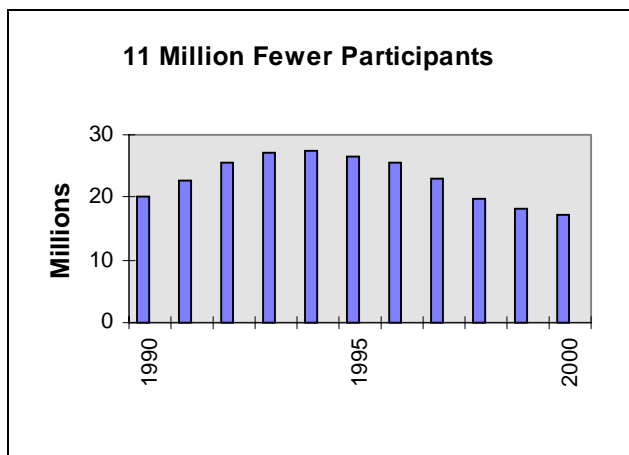
Reauthorization can preserve and strengthen the critical accomplishments of the Food Stamp Program. The program's success is built on national standards for eligibility and benefits, assistance earmarked for food, and a broad-based entitlement to assistance that reaches deep into the low-income population.

THE CHANGING POLICY CONTEXT

Much has changed since Congress last reauthorized the Food Stamp Program in 1996. Increasing food security, ending hunger, and improving nutrition among low-income families and individuals remain central to the program's mission. Yet the challenges facing the program today – and the pace of change in the world in which it operates – are substantial.

Welfare reform transformed social policy for low-income families, replacing an entitlement to cash assistance with a system that requires work in exchange for time-limited assistance. Welfare rolls, and the proportion of food stamp households on welfare, have fallen sharply. At the same time, the percentage of food stamp households with earnings has grown. By 1999, there were as many working families on food stamps as there were welfare families – roughly a quarter of all participating households (Rosso and Fowler 2000). Now, more than ever, the Food Stamp Program serves as a critical support to ease the transition from welfare to work.

² Gleason et al (2000) report statistically significant differences between low- and high-income adults, but none between low- and high-income children. Even among low-income adults, mean intakes generally exceed 100 percent of the RDAs for most nutrients examined.



Food stamp participation has fallen dramatically.

The program served just over 17 million people in September 2000, nearly 11 million people fewer than at its peak in March 1994. Part of the drop is explained by a strong economy, the success of welfare reform in moving people into jobs, and restrictions on legal immigrants and unemployed adults. But other factors may also be at work. Between 1994 and 1999, the drop in the number of people on food stamps was nearly twice the drop in the number of people in poverty. The percentage of people

eligible for food stamps who actually participated fell 11 points between 1994 and 1998 (Castner 2000). These trends suggest that many poor families left the program – or did not apply for benefits – despite their continued eligibility.

Finally, **there is growing awareness that the historical emphasis on payment accuracy does not reflect the full range of desired program outcomes.** It is hard to overstate how much the focus on payment accuracy has dominated thinking about food stamp policy and administrative practice at all levels of government. Of greatest concern is the possibility that some portion of the surprisingly rapid drop in food stamp participation in recent years may have resulted from pressure to reduce payment errors. States may have adopted administrative practices that make participation more burdensome, especially for working families. There is also growing recognition that the complexity of program rules – often the result of desires to target benefits more precisely or accurately – may cause error and deter participation among people eligible for benefits.

WE CAN DO BETTER!

Even as they acknowledge the Food Stamp Program's accomplishments, many point to ways that reauthorization can build on this strong history of success and make the program stronger still by aligning eligibility with need, improving program access, ensuring adequate benefits, making the program work for working families, simplifying complex program rules, promoting healthy eating, and establishing balanced performance measures.

Align Eligibility with Need: Several indicators suggest that existing program standards effectively target benefits to people with little income and few assets. In fiscal year 1999, 70 percent of all food stamp participants were children, elderly, or disabled. The average monthly income of a typical food stamp household was just over \$600; over half of all food stamp benefits went to households with incomes at or below half of the poverty line. More than two-thirds of all food stamp households had no countable assets; the average household had assets valued at just over \$140 (Rosso and Fowler 2000).

Other indicators suggest, however, that unmet needs remain. Many households with incomes low enough to qualify them for food stamps nevertheless remain ineligible because of the asset limit. In 1994, the asset limit screened out 25 percent of all income-eligible households: roughly a quarter of these owned vehicles that exceeded the limit, the remainder owned other assets, principally checking or savings accounts (Wemmerus, Castner, and O'Connor 1999).

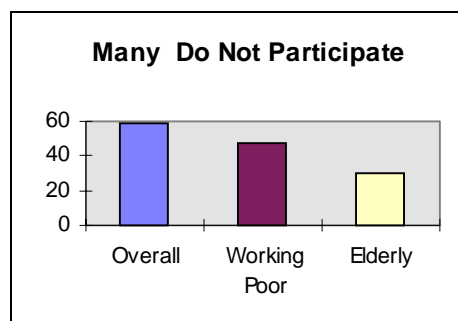
While the number of U.S. households that experience food insecurity declined among 1995 and 1999, 10 percent of the nation's households experienced food insecurity during the year ending April 1999, and 3 percent experienced hunger. The prevalence of food insecurity and hunger falls as income increases, but a surprising number of food insecure households have incomes modestly higher than the program's income limit (130 percent of poverty). About 15 percent of U.S. households with incomes between 130 and 185 percent of poverty reported being food insecure in 1999, and nearly 3 percent experienced hunger (Andrews et al 2000).

Finally, while not definitive, several new studies have suggested substantially higher rates of food insecurity and hunger among two groups most affected by welfare reform's changes to food stamp eligibility rules. A survey of families in Los Angeles and San Francisco found that legal immigrants who lost food stamp benefits were more likely to experience food insecurity and hunger than immigrants who did not lose benefits (CFPA 1998). Similarly, surveys of unemployed adults without dependents in Arizona, Iowa, and Illinois found that roughly half experienced food insecurity – and over a quarter experienced hunger – after losing food stamp benefits (Mills 2000; Garasky et al 2000; Gleason and Rangarajan 2000).

Improve Program Access: An important measure of any program's effectiveness is the extent to which it reaches its target population. The food stamp participation rate – the percentage of eligible people in the United States that actually receive benefits – has been an important indicator of the program's performance for many years.

In 1998, less than three-fifths of the people eligible for food stamps (59 percent) participated in the program – a significant drop since 1994, when food stamp participation reached its peak. Participation rates varied widely from State to State, with some reaching less than half of the people eligible for benefits and others reaching over 80 percent. Participation rates fell in every region of the country and in most States since 1994. Historically, less than half of the people in working poor households and

less than a third of the elderly participated in the program (Castner 2000; Schirm 2001).



Thus, even in the midst of the strongest economy in a generation and the success of welfare reform in moving people into jobs, many low-income families and individuals remained eligible for food stamps – and a growing share did not receive them.

A number of factors might explain why some eligible people do not participate. Some may not feel a need for assistance – including those who believe they can “get by” without food stamps or that others need them more. Some may lack information about where or how to apply or harbor misperceptions about eligibility requirements. The cost of application and participation in the program, in time and money, or dissatisfaction with the size of the benefit, may discourage applications from some who are aware of the program.³ The complexity of the application process, problems getting to the local office, requests for personal information, and perceptions of discourteous staff and unpleasant offices may discourage participation. The stigma related to applying for and using food stamps may also be an obstacle for some.

Some of these factors are not amenable to reasonable government intervention. Some individuals make an informed choice to forgo benefits to which they are entitled. In many cases, however, the factors at work – lack of information, misinformation, high costs of participation, administrative hurdles, and stigma – are beyond the control of eligible individuals. Program managers and policy makers can remove these obstacles with better information, better practices, and better policies.

Ensure Adequate Benefits: Ending hunger in America depends not only on reaching people eligible for benefits, but also on providing a benefit that adequately addresses their food and nutrition needs. Many participants in the National Conversation described the difficulty low-income families have getting enough food each month and the perceived inadequacy of food stamp benefits. Emergency food providers reported an increased demand for their services, observing that some families have come to depend on food pantries and soup kitchens as a routine source of support, not as an emergency stopgap. Others recounted experiences of food stamp households whose benefits ran out too early in the month.

The continued presence of food insecurity and hunger among program participants also raises questions about the adequacy of food stamp benefits. A 1996 survey found that half of all food stamp households experienced food insecurity and 22 percent experienced food insecurity with hunger (Cohen et al 1999).

Three elements of program design ultimately determine a household’s food stamp benefit: the maximum benefit for households with no countable income, the rate at which benefits are reduced for those with income, and the structure and level of deductions used to determine the amount of income reasonably available to meet a household’s food needs.

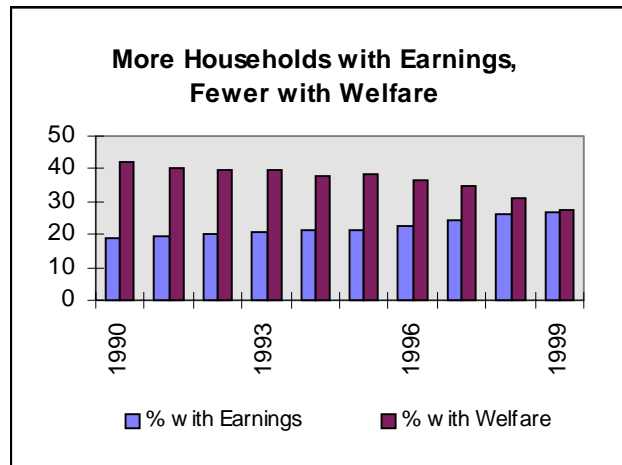
In fiscal year 2001, a family of four with no other income receives \$434 in food stamps each month; a single person receives a maximum of \$130. Most households – roughly 80 percent in 1999 – have some countable income, receive less than the maximum allotment, and are expected to use a portion of their income for food purchases. Food stamp benefits are quite modest: even the maximum allotment for a family of four provides only \$1.19 per person per meal; the average recipient in fiscal year 2000 received only 80 cents per meal.

³ A 1996 survey found that the majority of participating households incur out-of-pocket costs and significant time costs in connection with their application and re-certifications. The average applicant spent nearly five hours in the initial application for food stamps and more than two hours in each subsequent recertification (Ponza et al 1999).

Many participants in the National Conversation spoke of the need to improve the adequacy of food stamp benefits by raising maximum allotments, increasing the \$10 minimum benefit, lowering the benefit reduction rate, or changing the rules for allowable deductions to more accurately reflect the demands low-income households face today.

Make the Program Work for Working

Families: With enactment of welfare reform, the policy environment in which the Food Stamp Program operates changed significantly. Today, far fewer food stamp participants receive cash assistance – and substantially more participants work – than they once did. At the same time, the Federal government has sought to improve a wide range of policies to better support working families, in particular those seeking to make a transition from welfare to work. The Federal government recognized the need to support this transition actively by raising the minimum wage, expanding the Earned Income Tax Credit, increasing funds for child care assistance, and working to improve access to health insurance and nutrition assistance.



The combination of a full-time, year-round minimum wage job, the earned income tax credit, and food stamp benefits can lift working families out of poverty, but only if those eligible for food stamps actually receive them. Historically, participation rates among people in households with earnings have been relatively low, and there is evidence suggesting that these rates have fallen in recent years.⁴

One trend of particular concern is the possibility that some of the millions of single-parent families that have left welfare in recent years, many of them for work, may also have left the Food Stamp Program even though they may have remained eligible. Most studies of families who left welfare suggest that a majority are working. Their average earnings, however, often remain below poverty, and many report incomes that are lower than or similar to their combined earnings and benefits before leaving welfare. As a result, many probably remain eligible for food stamp benefits, but only about half receive them (Brauner and Loprest 1999).

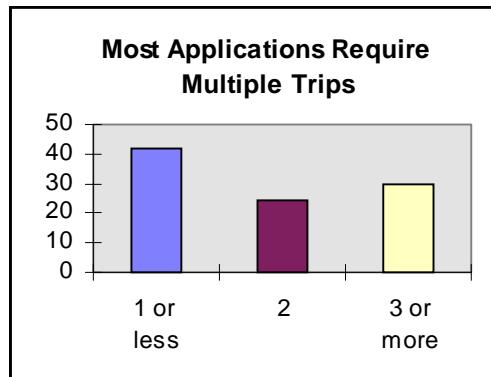
Working families often have circumstances that make complying with the program's procedural requirements more difficult. It can be hard, for example, for working people to appear at certification interviews during working hours. Some States require families with earnings to ask their employers to fill out forms to verify their earnings.

⁴ In 1994, 54 percent of the people living in households with earnings who were eligible for food stamps participated; by 1998, the participation rate among people in households with earnings had fallen to 47 percent (Castner 2000).

The consideration of policy changes to make the Food Stamp Program work better for working families must grapple with the challenge of maintaining payment accuracy while facilitating their access. Persons who make the transition to work are likely to have relatively unstable income. Many States shortened their certification periods in an effort to improve payment accuracy – three month certification periods are not uncommon for households with earnings. But such efforts to improve accountability may have the unintended consequence of discouraging participation by working families. Conversely, encouraging greater participation by working families without providing some relief from the risk of increased liabilities for payment error unfairly burdens State agencies.

Simplify Complex Rules: There is broad agreement that the Food Stamp Program has grown too complicated. The consequences of growing complexity for States – higher administrative costs and error rates – are serious. The potential consequences for applicants and participants – increased demands for documentation, intrusive verification procedures, more potential for misinformation about eligibility – are equally serious.

The program has grown more complex for many reasons. In part, the accumulation of many incremental changes in the nearly 25 years since enactment of the Food Stamp Act of 1977, each sensible in its own fashion at the time the change was made, has created a morass of detailed rules and procedures. For example, the 1977 Act responded to State administrators' concerns about complexity by replacing eight itemized deductions with a simpler set of four: standard, earned income, dependent care, and excess shelter expense. Since then, the Act has been amended to introduce two limits on the maximum dependent care deduction (varying by age of child), exempt elderly and disabled households from a limit on the excess shelter deduction, make new distinctions in the use of a standard utility allowance, and create new deductions for medical expenses (available only to elderly and disabled households) and child support payments.



In part, the complexity stems from changing policy preferences. The 104th Congress, for example, determined that most unemployed adults without children should only receive food stamps for a limited time and most legal immigrants should not receive food stamps at all. These provisions require applicants to provide additional information, introduce new rules for caseworkers to follow, and impose costly and potentially error-prone tracking requirements on State agencies.

An equally important reason for many existing program rules can be found in the desire to match the amount of food stamp benefits closely to individual household circumstances. Thus, for example, an allowance is made for households with high shelter expenses in recognition that they are likely to have less disposable income with which to meet their food needs. Caseworkers are also often expected to anticipate future income – a difficult and error-prone task, especially for

working poor households whose incomes fluctuates – and households are expected to report changes in their circumstances to ensure that each month’s benefit reflects their current need.

It is easy to imagine simpler approaches to these and other policies. It is more difficult to construct alternate policies that preserve the ability of the program to target benefits closely to individual need.

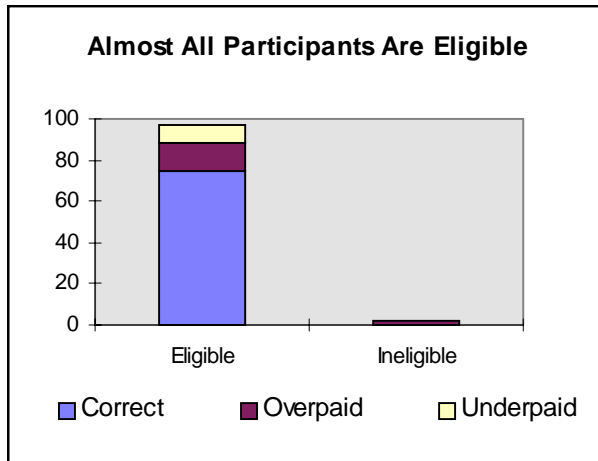
Promote Healthy Eating: An important goal of the Food Stamp Program is to improve the nutritional quality of participants’ diets. A healthy diet is essential for normal growth and development in children. It can also profoundly affect an adult’s overall health and substantially influence the risk of developing many chronic, degenerative diseases.

Despite the importance of making healthy food choices, at least a quarter of low-income individuals, program participants and nonparticipants alike, report usual intakes well below the RDAs for several micronutrients. Moreover, a majority in every age group consume more than the recommended amount of food energy in the form of fat or saturated fat, and too little in the form of carbohydrates (Gleason et al 2000).

A substantial body of research shows that program participation raises food expenditures and that the nutrient value of food available to participants is typically higher than that available to nonparticipants (Fraker 1990). Evidence that the program affects nutrient intake is relatively weak and inconsistent. This may suggest that the economic resources provided by the program alone do not substantially change participants’ eating habits. More recent research indicates that low-income adults appear to place great importance on healthy eating. There is substantial room for improvement in their dietary knowledge, however. Many are not fully aware of the health consequences of specific dietary practices nor are they fully aware of healthful dietary practices (Gleason et al 2000). These results tend to reinforce the importance of nutrition education and promotion to help participants make healthy food choices.

The Food Stamp Act facilitates and promotes healthy food choices by reimbursing States for half the cost of optional nutrition education programs. Since 1992, the number of States operating such programs for food stamp recipients has grown from 5 to 48. The Federal share of their expenditures for associated nutrition education activities has grown from \$661,000 to nearly \$100 million. Many participants in the National Conversation emphasized the importance of integrating nutrition education for low-income persons into the Food Stamp Program while cautioning that additional Federal funding may be necessary.

Establish Balanced Performance Measures: Administration of the Food Stamp Program has always sought to achieve multiple goals: reduced food insecurity and hunger, improved nutrition, reasonable access to program benefits, high quality customer service, and proper stewardship of federal funds. There is growing recognition that performance measurement in the program – with its historical emphasis on payment accuracy – does not reflect the full range of desired program outcomes.



Most discussion of payment accuracy in the Food Stamp Program focuses on the overall level and cost of payment errors. Rarely, if ever, does the discussion focus on the impact of payment errors on individual households affected. Two key conclusions emerge from this perspective. First, virtually all households receiving food stamps are eligible for some benefit. The problem of error is not so much one of determining eligibility, but rather one of attempting to finely target benefits to the complicated and changing circumstances of low-income households. Second, most food stamp households are extremely poor, and they

remain extremely poor even when overpaid (Trippe and Palermo 2000).

A single-minded focus on payment accuracy may have several unintended adverse consequences for the equally important goal of ensuring access to program benefits. It may induce States to adopt practices that make participation more burdensome, especially for working families. It creates the perception among many States that they are unfairly penalized for their success in getting recipients into jobs since the unstable circumstances of such households are inherently error-prone and put States at increased risk of fiscal sanction. The large number of penalties levied for “poor” performance undermines the productive partnership necessary to achieve the program’s objective to fight hunger and improve nutrition. And it creates the impression that the program’s broader goals are subservient to the drive for payment accuracy.

Payment accuracy will dominate other program objectives as long as many States face substantial sanctions for poor performance in this area alone. The achievement of other program goals is not well served by a performance measurement and accountability system that attaches fiscal penalties to one outcome measure and only rhetorical consequences to others. A balanced system of performance measurement should help ensure both program integrity and program access for eligible households in need of nutrition assistance.

CONCLUSION

The National Food Stamp Conversation 2000 marked an important beginning on the road to reauthorization of the Food Stamp Program. It produced a picture of a program that has, in large measure, succeeded in reducing hunger and improving nutrition for millions of low-income families and individuals. But it is not an unqualified success. There are clear opportunities to build on the foundation of past success to achieve a hunger-free America.

Some important steps have already been taken in this direction. Recent legislation passed by Congress permits States to use their welfare policies regarding vehicles when determining food stamp eligibility and raises the limit on how much a family can deduct from its income for shelter expenses. Recent USDA actions make it easier for working families to own a reliable car and

still receive food stamps, reduce reporting burdens on States and families, and provide for transitional food stamps for families leaving welfare.

Much more remains to be done. The Food Stamp Program's mission – to end hunger and improve nutrition – remains as vital today as at the program's beginnings. A range of policy options is available to design a program that meets today's needs. As the debate over these options unfolds, the challenge will be to preserve – and strengthen – those elements essential to its future success.

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